

Press Release

Soluble Silicates Private Limited

22 August, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.95 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.9.95 crore bank facilities of Soluble Silicates Private Limited (SSPL). The outlook is '**Stable**'.

Established in 1997 by Mr Poddar, SSPL is engaged in the manufacturing of soluble silicates at West Bengal. The installed capacity stands at 24,000 MTPA.

Key Rating Drivers

Strengths

• Experienced management

SSPL is engaged in the manufacturing of sodium silicates since 1997. The company was established by Mr. Naresh Kumar Poddar who has experience of more than three decades in the chemicals industry. He is well supported by his son, Mr. Ankur Poddar in the business.

• Reputed and diversified client base

SSPL caters to a diversified client base including papermills, detergent manufacturers, foundries and construction companies. Over the years, SSPL has established long term relations with reputed companies across industries including Hindustan Lever Limited (HLL), Emami Paper Mills Limited, Bhilai Steel Plant, Rourkela Steel Plant among others.

• Average financial risk profile

The average financial risk profile is marked by modest net worth, gearing, and average debt protection metrics. The net worth increased to a modest Rs.7.70 crore in FY2017 (Provisional) compared to Rs.7.14 crore in FY2016 due to accreditation of profits to reserves. The gearing stood moderate at 0.99 and 1.03 times in FY2017 (provisional) and FY2016 respectively, compared to 1.21 times in FY2015. This improvement in gearing is mainly on account of increase in the net worth. The interest coverage ratio and the debt service coverage ratio stood at 1.58 times and 1.43 times in FY2017(provisional) compared to 1.62 times and 1.55 times in FY2016 and 1.72 times and 1.55 times in FY2015 respectively. The Net Cash Accruals to total debt (NCA/TD) stood at 0.06 times in FY2017 (Provisional) and 0.09 times in FY2016.

Weaknesses

• Low profitability margins

SSPL's operating margin decreased to 4.71 per cent times in FY2016, compared to 5.46 percent in

FY2015. This is mainly on account of increase in raw material costs. The operating margin stood at 4.89 per cent in FY2017 (Provisional). The company, however, is trying to improve its operating margins by reducing direct costs. The company plans to shift its unit (currently located at Madhyamgram) to Mejia in the Bankura district of West Bengal. This would help increase production capacity from 24000 metric tons to 36000 metric tons. Further, this would reduce direct costs as silicates, quartz sand and coal will be available at a cheaper rate. The net profit margins also decreased to 1.15 per cent in FY2017 (Provisional) compared to 1.36 per cent and 1.38 per cent in FY2016 and FY2015 respectively. This is mainly on account of high interest costs.

• **Working capital intensive operations**

The working capital management is marked by GCA days of 251 in FY2017 (Provisional) and 205 in FY2016 compared to 209 days in FY2015. Such high GCA days are mainly on account of high inventory days of 213 days and 175 days. The debtor days stood at 40 days and 31 days in FY2017 (Provisional) and FY2016 respectively.

• **Moderate scale of operations**

Despite being in operations for over two decades, the operations are at a moderate level. The operating income stood at Rs.33.67 crore in FY2017 (Provisional) compared to Rs.37.63 crore in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SSPL.

Outlook: Stable

SMERA believes that SSPL will maintain a stable outlook in the medium term while benefitting from its promoters' extensive experience, long track record of operations and established relations with reputed customers. The outlook may be revised to 'Positive' if SSPL registers more than expected revenue and the profitability improves significantly. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or if the working capital cycle elongates.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), SSPL reported profit after tax (PAT) of Rs.0.39 crore on total operating income of Rs.33.67 crore compared to PAT of Rs.0.51 crore on total operating income of Rs.37.63 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02 May, 2016	Cash Credit	Long Term	INR 6.95	SMERA BB / Stable
	Stand-by Line of Credit	Short Term	INR 0.25	SMERA A4+
	Letter of Credit	Short Term	INR 2.5	SMERA A4+
	Bank Guarantee	Short Term	INR 0.25	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.95	SMERA BB / Stable
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+
Letter of credit^	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+

[^]Includes buyer credit of Rs 1.50 as sublimit.

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